

**TOWN OF BLUEJACKET, OKLAHOMA**  
**REPORT ON AUDIT OF FINANCIAL STATEMENTS**  
**AND**  
**SUPPLEMENTAL DATA FOR THE**  
**TWELVE MONTHS ENDED JUNE 30, 2013**

**CYNTHIA L WARREN CPA, P.C.**

**Eufaula, Oklahoma 74432**

**TOWN OF BLUEJACKET  
BLUEJACKET, OKLAHOMA  
JUNE 30, 2013**

**Table of Contents**

***FINANCIAL SECTION:***

|                                                                                                      |    |
|------------------------------------------------------------------------------------------------------|----|
| Independent Auditor's Report                                                                         | 3  |
| Management's Discussion and Analysis                                                                 | 5  |
| Basic Financial Statements:                                                                          |    |
| Exhibit A - Statement of Net Position                                                                | 10 |
| Exhibit B - Statement of Activities                                                                  | 11 |
| Exhibit C - Balance Sheet - Governmental Funds                                                       | 13 |
| Exhibit D - Statement of Revenues, Expenditures and Changes in<br>Fund Balances - Governmental Funds | 14 |
| Exhibit E - Statement of Net Position - Proprietary Funds                                            | 15 |
| Exhibit F - Statement of Revenues, Expenses and Changes in<br>Net Assets - Proprietary Funds         | 16 |
| Exhibit G - Statement of Cash Flows - Proprietary Funds                                              | 17 |
| Notes to the Financial Statements                                                                    | 19 |

***REQUIRED SUPPLEMENTARY INFORMATION:***

|                                                  |    |
|--------------------------------------------------|----|
| Budgetary Comparison Schedule - General Fund     | 28 |
| Budgetary Comparison Schedule – Street and Alley | 28 |
| Budgetary Comparison Schedule – Fire Department  | 29 |
| Budgetary Comparison Schedule – Cemetery         | 29 |

***INTERNAL CONTROL & COMPLIANCE SECTION:***

|                                                                                                                                                                                          |    |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| Independent Auditor's Report on the Internal Control over<br>Financial Reporting Based on an Audit of Financial Statements<br>Performed in Accordance with Government Auditing Standards | 30 |
| Schedule of Findings                                                                                                                                                                     | 32 |
| Schedule of Responses and Corrective Actions                                                                                                                                             | 32 |

**CYNTHIA L WARREN CPA, P.C.**

=====

**P.O. Box 189  
Eufaula, OK 74432**

**(918) 452-2116  
Fax (918) 452-3509**

**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Town of Bluejacket  
Bluejacket, Oklahoma

**Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and the major funds of the Town of Bluejacket as of and for the year ended June 30, 2013, which collectively comprise the Town's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Bluejacket as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters*****Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 5 through 10 and the Budgetary Comparison on page 31 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operations, economic, or historical context. I have applied certain limited procedures on the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the method of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance.

***Report Issued in Accordance with Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued a report dated April 20, 2014 on my consideration of the Town of Bluejacket's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the internal control over financial reporting and compliance.

Cynthia L Warren CPA, P.C.  
Eufaula, Oklahoma  
April 10, 2014

***Town of Bluejacket***  
***P.O. Box 59***  
***Bluejacket, Oklahoma 74333***

**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2013**

The discussion and analysis of the Town of Bluejacket's financial performance provides an overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2013. The information contained in this MD&A should be read in conjunction with the accompanying basic financial statements.

***Financial Highlights***

The assets of the Town of Bluejacket exceeded its liabilities at the close of the fiscal year ending June 30, 2013 by \$602,002. Of this amount, \$48,668 (unrestricted) may be used to meet the government's ongoing obligations to citizens and creditors.

The Town of Bluejacket's net position decreased by \$34,429. This decrease is attributable to excesses of expenditures over revenues.

The Town of Bluejacket's total debt decreased by \$13,934 during the current fiscal year including a decrease in restricted assets.

Revenues of the Town increased \$22,511 and expenses decreased \$30,648 for a change in net position of \$8,137.

***Overview of the Financial Statements***

This discussion and analysis serves as an introduction to the Town of Bluejacket's basic financial statements. The Town of Bluejacket's basic financial statements are comprised of three components, government-wide financial statements, fund financial statements, and notes to the financial statements. The basic statements provide readers with a broad overview of the Town's finances. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

***Government-wide financial statements***

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Bluejacket's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all of the Town of Bluejacket's assets and liabilities, with the differences between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Town of Bluejacket is improving or deteriorating. The Statement of Net Position combines and consolidates governmental funds' current financial resources with capital assets and long-term obligations. Other nonfinancial factors should also be taken into consideration such as economic factors. The Statement of Activities presents information showing how the Town's net assets changed during the most recent fiscal year. Both the Statement of Net Position and the Statement of Activities are prepared utilizing the accrual basis of accounting and economic resources measurement focus.

## MANAGEMENT DISCUSSION AND ANALYSIS

### JUNE 30, 2013

#### *Fund Financial Statements*

Fund financial statements focus separately on governmental funds and proprietary funds. Governmental fund statements report only current financial resources on the modified accrual basis of accounting. As a result, capital assets and long-term debt are not reported in government fund financial statements. Proprietary fund financial statements are presented, similar to the government-wide financial statements, on the economic resources measurement focus and accrual basis of accounting, and include all assets and liabilities. The Town's major funds are presented in their own column and the remaining funds are combined into a column titled "Non-major".

#### *Notes to the Financial Statements*

The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Town's financial condition.

#### *Supplementary Information*

As required by generally accepted accounting principles, a budgetary comparison is presented for the general fund which is the only major governmental fund for which a budget is legally adopted.

#### ***Town as a Whole***

##### *Government-wide Financial Statements*

The following is a condensed version of the Statement of Net Position as of June 30, 2013 as compared to the Statement of Net Position as of June 30, 2012:

|                                  | <u>6/30/2013</u>  | <u>6/30/2012</u>  | <u>Variance</u>    |
|----------------------------------|-------------------|-------------------|--------------------|
| Current Assets :                 |                   |                   |                    |
| Governmental Activities          | \$ 35,602         | \$ 48,239         | \$ (12,637)        |
| Business-type Activities         | <u>14,016</u>     | <u>13,446</u>     | <u>570</u>         |
|                                  | <u>49,618</u>     | <u>61,685</u>     | <u>(12,067)</u>    |
| Noncurrent Assets:               |                   |                   |                    |
| Governmental Activities          | 28,114            | 35,863            | (7,749)            |
| Business-type Activities         | <u>698,538</u>    | <u>724,802</u>    | <u>(26,264)</u>    |
|                                  | <u>726,652</u>    | <u>760,665</u>    | <u>(34,013)</u>    |
| Total Assets                     | <u>\$ 776,270</u> | <u>\$ 822,350</u> | <u>\$ (46,080)</u> |
| Current Liabilities:             |                   |                   |                    |
| Governmental Activities          | \$ 3,104          | \$ 2,460          | \$ 644             |
| Business-type Activities         | <u>18,272</u>     | <u>18,642</u>     | <u>(370)</u>       |
|                                  | <u>21,376</u>     | <u>21,102</u>     | <u>274</u>         |
| Noncurrent Liabilities:          |                   |                   |                    |
| Governmental Activities          | -                 | -                 | -                  |
| Business-type Activities         | <u>152,892</u>    | <u>164,817</u>    | <u>(11,925)</u>    |
|                                  | <u>152,892</u>    | <u>164,817</u>    | <u>(11,925)</u>    |
| Total Liabilities                | <u>174,268</u>    | <u>185,919</u>    | <u>(11,651)</u>    |
| Net Position:                    |                   |                   |                    |
| Invested in Capital Assets, Net: |                   |                   |                    |
| Governmental Activities          | 16,701            | 24,507            | (7,806)            |
| Business-type Activities         | <u>527,130</u>    | <u>543,480</u>    | <u>(16,350)</u>    |

|                          |                   |                   |                    |
|--------------------------|-------------------|-------------------|--------------------|
|                          | <u>543,831</u>    | <u>567,987</u>    | <u>(24,156)</u>    |
| Restricted:              |                   |                   |                    |
| Governmental Activities  | -                 | -                 | -                  |
| Business-type Activities | <u>9,503</u>      | <u>7,571</u>      | <u>1,932</u>       |
|                          | <u>9,503</u>      | <u>7,571</u>      | <u>1,932</u>       |
| Unrestricted:            |                   |                   |                    |
| Governmental Activities  | 43,911            | 57,135            | (13,224)           |
| Business-type Activities | <u>4,757</u>      | <u>3,738</u>      | <u>1,019</u>       |
|                          | <u>48,668</u>     | <u>60,873</u>     | <u>(12,205)</u>    |
| Net Position             | <u>\$ 602,002</u> | <u>\$ 636,431</u> | <u>\$ (34,429)</u> |

The Town had a decrease in total assets when compared to the previous year in the amount of \$46,080. Total liabilities decreased as a result of principal payments on long-term debt.

Total net position decreased \$34,429, the difference between revenues and expenses.

# MANAGEMENT DISCUSSION AND ANALYSIS

## JUNE 30, 2013

A condensed version of the Statement of Activities follows:

|                                  | <u>6/30/2013</u>  | <u>6/30/2012</u>  | <u>Variance</u>    |
|----------------------------------|-------------------|-------------------|--------------------|
| <b>Governmental Activities:</b>  |                   |                   |                    |
| Program Revenues:                |                   |                   |                    |
| General Government               | \$ 36,465         | \$ 2,499          | \$ 33,966          |
| Street and Alley                 | 3,058             | 2,309             | 749                |
| Public Safety - Traffic          | 27,075            | 11,048            | 16,027             |
| Fire                             | <u>18,544</u>     | <u>16,488</u>     | <u>2,056</u>       |
|                                  | <u>85,142</u>     | <u>32,344</u>     | <u>52,798</u>      |
| General Revenues:                |                   |                   |                    |
| Taxes                            | 20,960            | 26,497            | (5,537)            |
| Investment Earnings              | 68                | 179               | (111)              |
| State Alcohol Beverage Tax       | 4,169             | 2,913             | 1,256              |
| Miscellaneous                    | <u>3,894</u>      | <u>19,495</u>     | <u>(15,601)</u>    |
|                                  | <u>29,091</u>     | <u>49,084</u>     | <u>(19,993)</u>    |
| <b>Business-Type Activities:</b> |                   |                   |                    |
| Program Revenues:                |                   |                   |                    |
| Public Works - Water             | 71,558            | 67,416            | 4,142              |
| Public Works - Sewer             | <u>31,205</u>     | <u>30,380</u>     | <u>825</u>         |
|                                  | <u>102,763</u>    | <u>97,796</u>     | <u>4,967</u>       |
| General Revenues:                |                   |                   |                    |
| Investment Earnings              | 27                | 36                | (9)                |
| Miscellaneous                    | <u>-</u>          | <u>15,252</u>     | <u>(15,252)</u>    |
|                                  | <u>27</u>         | <u>15,288</u>     | <u>(15,261)</u>    |
| Total Revenues                   | <u>217,023</u>    | <u>194,512</u>    | <u>22,511</u>      |
| <b>Governmental Activities:</b>  |                   |                   |                    |
| Expenses:                        |                   |                   |                    |
| General Government               | \$ 81,591         | \$ 32,601         | \$ 48,990          |
| Emergency Management             | 617               | 615               | 2                  |
| Park                             | 5,182             | 6,372             | (1,190)            |
| Street and Alley                 | 1,718             | 4,185             | (2,467)            |
| Cemetery                         | 4,207             | 4,493             | (286)              |
| Public Safety - Traffic          | 15,338            | 13,312            | 2,026              |
| Fire                             | <u>26,610</u>     | <u>24,362</u>     | <u>2,248</u>       |
|                                  | <u>135,263</u>    | <u>85,940</u>     | <u>49,323</u>      |
| <b>Business-Type Activities:</b> |                   |                   |                    |
| Expenses:                        |                   |                   |                    |
| Public Works - Water             | \$ 70,547         | \$ 79,483         | \$ (8,936)         |
| Public Works - Sewer             | <u>45,642</u>     | <u>55,381</u>     | <u>(9,739)</u>     |
|                                  | <u>116,189</u>    | <u>134,864</u>    | <u>(18,675)</u>    |
| Total Program Expenses           | <u>251,452</u>    | <u>220,804</u>    | <u>30,648</u>      |
| Change in Net Position           | (34,429)          | (26,292)          | (8,137)            |
| Net Position, Beginning          | <u>636,431</u>    | <u>662,723</u>    | <u>(26,292)</u>    |
| Net Position, Ending             | <u>\$ 602,002</u> | <u>\$ 636,431</u> | <u>\$ (34,429)</u> |



## MANAGEMENT DISCUSSION AND ANALYSIS

### JUNE 30, 2013

The above Statement of Activities remains similar to prior year; however, there are some variations. The change in net position is a \$34,429 decrease from the prior year.

#### ***Fund Financial Information and Budgetary Highlights***

The Town of Bluejacket operates under the Budget Act statutes of Oklahoma. Over the course of the year, there were no budget revisions. At the end of the year, the general fund had an unfavorable variance over its budget of \$7,024.

#### ***Capital Assets and Debt Administration***

##### ***Capital Assets***

At June 30, 2013, the Town has \$698,501 invested in capital assets, including machinery and equipment, buildings, the water system and the sewer system. Infrastructures prior to July 1, 2003 are not included in these amounts.

|                                | <u>Balance</u><br><u>6/30/2012</u> | <u>Additions</u>   | <u>Deletions</u> | <u>Balance</u><br><u>6/30/2013</u> |
|--------------------------------|------------------------------------|--------------------|------------------|------------------------------------|
| Buildings                      | 58,940                             | -                  | -                | 58,940                             |
| Water and Sewer System         | 1,330,761                          | -                  | -                | 1,330,761                          |
| Machinery and Equipment        | <u>65,789</u>                      | <u>-</u>           | <u>-</u>         | <u>65,789</u>                      |
|                                | 1,455,490                          | -                  | -                | 1,455,490                          |
| Less: Accumulated Depreciation | <u>718,899</u>                     | <u>38,090</u>      | <u>-</u>         | <u>756,989</u>                     |
|                                | <u>\$ 736,591</u>                  | <u>\$ (38,090)</u> | <u>\$ -</u>      | <u>\$ 698,501</u>                  |

##### ***Debt Outstanding***

The Town of Bluejacket has not incurred any new debt during the current year. There are two outstanding debts owed by the Bluejacket Public Works Authority, a note to Rural Development in the amount of \$147,540 and a note to GMAC in the amount of \$7,130. During the year ending June 30, 2013, principal payments of \$13,934 and interest of \$7,805 were paid.

See Note 5 on page 27 for additional information on long-term debt activity and balances.

#### ***Economic Factors and Next Year's Budgets***

The Town of Bluejacket budgeted \$50,025 in estimated revenues for the general fund for the year June 30, 2014. This budget estimates total expenditures budget allowable of \$50,025.

#### ***Financial Contact***

The Town's financial statements are designed to present users with a general over view of the Town's finances and to demonstrate the Town's accountability. If you have questions about the report or need additional financial information, please contact the Mayor or Town Clerk at Town Hall, Bluejacket, Oklahoma, 74333.

**TOWN OF BLUEJACKET, OKLAHOMA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

|                                       | <b><u>Governmental</u></b><br><b><u>Activities</u></b> | <b><u>Business-type</u></b><br><b><u>Activities</u></b> | <b><u>Total</u></b> |
|---------------------------------------|--------------------------------------------------------|---------------------------------------------------------|---------------------|
| <b>ASSETS</b>                         |                                                        |                                                         |                     |
| <b>Current Assets:</b>                |                                                        |                                                         |                     |
| Cash and Cash Equivalents             | \$ 33,237                                              | \$ 3,158                                                | \$ 36,395           |
| Accounts Receivable, Net              | <u>2,365</u>                                           | <u>10,858</u>                                           | <u>13,223</u>       |
| Total Current Assets                  | <u>35,602</u>                                          | <u>14,016</u>                                           | <u>49,618</u>       |
| <b>Noncurrent Assets:</b>             |                                                        |                                                         |                     |
| Investments                           | 11,413                                                 | -                                                       | 11,413              |
| Restricted Cash, Debt Reserve         | -                                                      | 9,503                                                   | 9,503               |
| Restricted Cash and Cash Equivalents, |                                                        |                                                         |                     |
| Customer Deposits                     | -                                                      | 7,235                                                   | 7,235               |
| Capital Assets, Net of Depreciation   | <u>16,701</u>                                          | <u>681,800</u>                                          | <u>698,501</u>      |
| Total Assets                          | <u>\$ 63,716</u>                                       | <u>\$ 712,554</u>                                       | <u>\$ 776,270</u>   |
| <b>LIABILITIES</b>                    |                                                        |                                                         |                     |
| <b>Current Liabilities:</b>           |                                                        |                                                         |                     |
| Accounts Payable                      | \$ 3,104                                               | \$ 5,212                                                | \$ 8,316            |
| Accrued Interest Payable              | -                                                      | 512                                                     | 512                 |
| Notes Payable, Current                | <u>-</u>                                               | <u>12,548</u>                                           | <u>12,548</u>       |
| Total Current Liabilities             | <u>3,104</u>                                           | <u>18,272</u>                                           | <u>21,376</u>       |
| <b>Noncurrent Liabilities:</b>        |                                                        |                                                         |                     |
| Customer Deposits Payable             | -                                                      | 10,770                                                  | 10,770              |
| Notes Payable                         | <u>-</u>                                               | <u>142,122</u>                                          | <u>142,122</u>      |
| Total Noncurrent Liabilities          | <u>-</u>                                               | <u>152,892</u>                                          | <u>152,892</u>      |
| Total Liabilities                     | <u>3,104</u>                                           | <u>171,164</u>                                          | <u>174,268</u>      |
| <b>NET POSITION</b>                   |                                                        |                                                         |                     |
| Invested in Capital Assets, Net of    |                                                        |                                                         |                     |
| Related Debt                          | 16,701                                                 | 527,130                                                 | 543,831             |
| Restricted                            | -                                                      | 9,503                                                   | 9,503               |
| Unrestricted                          | <u>43,911</u>                                          | <u>4,757</u>                                            | <u>48,668</u>       |
| Total Net Position                    | <u>60,612</u>                                          | <u>541,390</u>                                          | <u>602,002</u>      |
| Total Liabilities and Net Position    | <u>\$ 63,716</u>                                       | <u>\$ 712,554</u>                                       | <u>\$ 776,270</u>   |

See accompanying notes to the basic financial statements.

Exhibit B

**TOWN OF BLUEJACKET, OKLAHOMA  
STATEMENT OF ACTIVITIES  
FOR THE TWELVE MONTHS ENDED JUNE 30, 2013**

|                                           |                   | <u>Program Revenues</u>         |                                                   |                                                 | <u>Net (Expenses) Revenue<br/>and Changes in Net Assets</u> |                                     |                    |
|-------------------------------------------|-------------------|---------------------------------|---------------------------------------------------|-------------------------------------------------|-------------------------------------------------------------|-------------------------------------|--------------------|
|                                           | <u>Expenses</u>   | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital<br/>Grants and<br/>Contributions</u> | <u>Governmental<br/>Activities</u>                          | <u>Business-type<br/>Activities</u> | <u>Total</u>       |
| <b>Governmental Activities:</b>           |                   |                                 |                                                   |                                                 |                                                             |                                     |                    |
| General Government                        | \$ 81,591         | \$ -                            | \$ 36,465                                         | \$ -                                            | \$ (45,126)                                                 | \$ -                                | \$ (45,126)        |
| Emergency Management                      | 617               | -                               | -                                                 | -                                               | (617)                                                       | -                                   | (617)              |
| Park                                      | 5,182             | -                               | -                                                 | -                                               | (5,182)                                                     | -                                   | (5,182)            |
| Street and Alley                          | 1,718             | -                               | 3,058                                             | -                                               | 1,340                                                       | -                                   | 1,340              |
| Cemetery                                  | 4,207             | -                               | -                                                 | -                                               | (4,207)                                                     | -                                   | (4,207)            |
| Public Safety - Traffic                   | 15,338            | 27,075                          | -                                                 | -                                               | 11,737                                                      | -                                   | 11,737             |
| Fire                                      | <u>26,610</u>     | <u>10,477</u>                   | <u>8,067</u>                                      | <u>-</u>                                        | <u>(8,066)</u>                                              | <u>-</u>                            | <u>(8,066)</u>     |
| <b>Total Governmental<br/>Activities</b>  | <u>135,263</u>    | <u>37,552</u>                   | <u>47,590</u>                                     | <u>-</u>                                        | <u>(50,121)</u>                                             | <u>-</u>                            | <u>(50,121)</u>    |
| <b>Business-type Activities:</b>          |                   |                                 |                                                   |                                                 |                                                             |                                     |                    |
| Public Works - Water                      | 70,547            | 71,558                          | -                                                 | -                                               | -                                                           | 1,011                               | 1,011              |
| Public Works - Sewer                      | <u>45,642</u>     | <u>31,205</u>                   | <u>-</u>                                          | <u>-</u>                                        | <u>-</u>                                                    | <u>(14,437)</u>                     | <u>(14,437)</u>    |
| <b>Total Business-type<br/>Activities</b> | <u>116,189</u>    | <u>102,763</u>                  | <u>-</u>                                          | <u>-</u>                                        | <u>-</u>                                                    | <u>(13,426)</u>                     | <u>(13,426)</u>    |
| <b>Total</b>                              | <u>\$ 251,452</u> | <u>\$ 140,315</u>               | <u>\$ 47,590</u>                                  | <u>\$ -</u>                                     | <u>\$ (50,121)</u>                                          | <u>\$ (13,426)</u>                  | <u>\$ (63,547)</u> |

See accompanying notes to the basic financial statements.

**TOWN OF BLUEJACKET, OKLAHOMA  
STATEMENT OF ACTIVITIES, CONTINUED  
FOR THE TWELVE MONTHS ENDED JUNE 30, 2013**

|                                                | <b>Net (Expenses) Revenue<br/>and Changes in Net Assets</b> |                                            |                          |
|------------------------------------------------|-------------------------------------------------------------|--------------------------------------------|--------------------------|
|                                                | <b><u>Governmental<br/>Activities</u></b>                   | <b><u>Business-type<br/>Activities</u></b> | <b><u>Total</u></b>      |
| <b>Program Revenues:</b>                       |                                                             |                                            |                          |
| Expenses (Over) Under Revenues                 | <u>(50,121)</u>                                             | <u>(13,426)</u>                            | <u>(63,547)</u>          |
| <b>General Revenues:</b>                       |                                                             |                                            |                          |
| Taxes:                                         |                                                             |                                            |                          |
| Sales Tax                                      | 12,081                                                      | -                                          | 12,081                   |
| Franchise Tax                                  | 8,879                                                       | -                                          | 8,879                    |
| Intergovernmental - State Alcohol Beverage Tax | 4,169                                                       | -                                          | 4,169                    |
| Investments Earnings                           | 68                                                          | 27                                         | 95                       |
| Miscellaneous                                  | <u>3,894</u>                                                | <u>-</u>                                   | <u>3,894</u>             |
| Total General Revenues                         | <u>29,091</u>                                               | <u>27</u>                                  | <u>29,118</u>            |
| Changes in Net Assets                          | (21,030)                                                    | (13,399)                                   | (34,429)                 |
| Net Position at Beginning of Year              | <u>81,642</u>                                               | <u>554,789</u>                             | <u>636,431</u>           |
| Net Position at End of Year                    | <u><u>\$ 60,612</u></u>                                     | <u><u>\$ 541,390</u></u>                   | <u><u>\$ 602,002</u></u> |

See accompanying notes to the basic financial statements.

**TOWN OF BLUEJACKET, OKLAHOMA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2013**

|                                                                                                                                                                                | <b><u>General<br/>Fund</u></b> | <b><u>Fire<br/>Department<br/>Fund</u></b> | <b><u>Non-major<br/>Funds</u></b> | <b><u>Total<br/>Governmental<br/>Funds</u></b> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------------------|-----------------------------------|------------------------------------------------|
| <b><u>ASSETS</u></b>                                                                                                                                                           |                                |                                            |                                   |                                                |
| Cash                                                                                                                                                                           | \$ 10,694                      | \$ 7,204                                   | \$ 15,339                         | \$ 33,237                                      |
| Accounts Receivable, Net                                                                                                                                                       | 2,110                          | -                                          | 255                               | 2,365                                          |
| Investments                                                                                                                                                                    | -                              | 11,413                                     | -                                 | 11,413                                         |
| Total Current Assets                                                                                                                                                           | <u>\$ 12,804</u>               | <u>\$ 18,617</u>                           | <u>\$ 15,594</u>                  | <u>\$ 47,015</u>                               |
| <b><u>LIABILITIES AND FUND BALANCES</u></b>                                                                                                                                    |                                |                                            |                                   |                                                |
| Accounts Payable                                                                                                                                                               | <u>1,591</u>                   | <u>574</u>                                 | <u>939</u>                        | <u>3,104</u>                                   |
| Total Current Liabilities                                                                                                                                                      | <u>1,591</u>                   | <u>574</u>                                 | <u>939</u>                        | <u>3,104</u>                                   |
| <b>Fund Balances:</b>                                                                                                                                                          |                                |                                            |                                   |                                                |
| Unreserved Fund Balance                                                                                                                                                        | <u>11,213</u>                  | <u>18,043</u>                              | <u>14,655</u>                     | <u>43,911</u>                                  |
| Total Fund Balances                                                                                                                                                            | <u>11,213</u>                  | <u>18,043</u>                              | <u>14,655</u>                     | <u>43,911</u>                                  |
| Total Liabilities and Fund Balances                                                                                                                                            | <u>\$ 12,804</u>               | <u>\$ 18,617</u>                           | <u>\$ 15,594</u>                  |                                                |
| Capital Assets, net of accumulated depreciation, used in Governmental Activities are not current financial resources and therefore are not reported in the governmental funds. |                                |                                            |                                   | <u>16,701</u>                                  |
| Net Assets of Governmental Activities                                                                                                                                          |                                |                                            |                                   | <u>\$ 60,612</u>                               |

See accompanying notes to the basic financial statements.

**Exhibit D**

**TOWN OF BLUEJACKET, OKLAHOMA  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

|                                         | <b>General<br/><u>Fund</u></b> | <b>Fire<br/>Department<br/><u>Fund</u></b> | <b>Non-major<br/><u>Funds</u></b> | <b>Total<br/>Governmental<br/><u>Funds</u></b> |
|-----------------------------------------|--------------------------------|--------------------------------------------|-----------------------------------|------------------------------------------------|
| <b>Revenues:</b>                        |                                |                                            |                                   |                                                |
| Taxes                                   | \$ 25,129                      | \$ -                                       | \$ -                              | \$ 25,129                                      |
| Intergovernmental -                     |                                |                                            |                                   |                                                |
| State Gas Excise and Vehicle Tax        | -                              | -                                          | 3,058                             | 3,058                                          |
| Dues                                    | -                              | 10,477                                     | -                                 | 10,477                                         |
| Traffic Fines                           | 27,075                         | -                                          | -                                 | 27,075                                         |
| Miscellaneous                           | 25                             | 15                                         | 3,854                             | 3,894                                          |
| Operating Grants                        | 14,465                         | 8,067                                      | -                                 | 22,532                                         |
| Operating Grants - ODOC                 | 22,000                         | -                                          | -                                 | 22,000                                         |
| Interest                                | <u>9</u>                       | <u>56</u>                                  | <u>3</u>                          | <u>68</u>                                      |
| <b>Total Revenues</b>                   | <u>88,703</u>                  | <u>18,615</u>                              | <u>6,915</u>                      | <u>114,233</u>                                 |
| <b>Current Expenditures:</b>            |                                |                                            |                                   |                                                |
| <b>General Government</b>               |                                |                                            |                                   |                                                |
| Personal Services                       | 14,145                         | -                                          | -                                 | 14,145                                         |
| Maintenance and Operations              | 18,650                         | -                                          | -                                 | 18,650                                         |
| Operating Grant Expenditures            | 19,690                         | -                                          | -                                 | 19,690                                         |
| Operating Grant Exp - ODOC              | 22,000                         | -                                          | -                                 | 22,000                                         |
| <b>Emergency Management</b>             |                                |                                            |                                   |                                                |
| Maintenance and Operations              | 617                            | -                                          | -                                 | 617                                            |
| <b>Park -Maintenance and Operations</b> | 5,182                          | -                                          | -                                 | 5,182                                          |
| <b>Street and Alley</b>                 |                                |                                            |                                   |                                                |
| Maintenance and Operations              | 105                            | -                                          | 1,613                             | 1,718                                          |
| <b>Cemetery</b>                         |                                |                                            |                                   |                                                |
| Maintenance and Operations              | -                              | -                                          | 4,207                             | 4,207                                          |
| <b>Public Safety</b>                    |                                |                                            |                                   |                                                |
| Traffic Fine Expense                    | 15,338                         | -                                          | -                                 | 15,338                                         |
| <b>Fire Department</b>                  |                                |                                            |                                   |                                                |
| Personal Services                       | -                              | 1,300                                      | -                                 | 1,300                                          |
| Maintenance and Operations              | <u>-</u>                       | <u>24,610</u>                              | <u>-</u>                          | <u>24,610</u>                                  |
| <b>Total Expenditures</b>               | <u>95,727</u>                  | <u>25,910</u>                              | <u>5,820</u>                      | <u>127,457</u>                                 |
| <b>Net Change in Fund Balance</b>       | (7,024)                        | (7,295)                                    | 1,095                             | (13,224)                                       |
| <b>Fund Balance, Beginning</b>          | <u>18,237</u>                  | <u>25,338</u>                              | <u>13,560</u>                     |                                                |
| <b>Fund Balance, Ending</b>             | <u>\$ 11,213</u>               | <u>\$ 18,043</u>                           | <u>\$ 14,655</u>                  |                                                |

**Adjustments for the Statement of Activities:**

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount of capital outlay less capital disposals and depreciation expense in the current period.

(7,806)

**Change in Net Assets**\$ (21,030)

See accompanying notes to the basic financial statements.

**TOWN OF BLUEJACKET, OKLAHOMA**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2013**

|                                        | <b>Public Works<br/><u>Sewer</u></b> | <b>Public Works<br/><u>Water</u></b> | <b>Total<br/>Enterprise<br/><u>Funds</u></b> |
|----------------------------------------|--------------------------------------|--------------------------------------|----------------------------------------------|
| <b>ASSETS</b>                          |                                      |                                      |                                              |
| <b>Current Assets:</b>                 |                                      |                                      |                                              |
| Cash                                   | \$ 2,286                             | \$ 872                               | \$ 3,158                                     |
| Accounts Receivable, Net               | 2,641                                | 8,217                                | 10,858                                       |
| Due from Other Programs                | <u>-</u>                             | <u>-</u>                             | <u>-</u>                                     |
| Total Current Assets                   | <u>4,927</u>                         | <u>9,089</u>                         | <u>14,016</u>                                |
| <b>Noncurrent Assets:</b>              |                                      |                                      |                                              |
| Restricted Cash, Debt Reserve          | 3,310                                | 6,193                                | 9,503                                        |
| Restricted Cash, Meter Funds           | -                                    | 7,235                                | 7,235                                        |
| Fixed Assets, Net of Depreciation      | <u>550,458</u>                       | <u>131,342</u>                       | <u>681,800</u>                               |
| Total Assets                           | <u><u>\$ 558,695</u></u>             | <u><u>\$ 153,859</u></u>             | <u><u>\$ 712,554</u></u>                     |
| <b>LIABILITIES</b>                     |                                      |                                      |                                              |
| <b>Current Liabilities:</b>            |                                      |                                      |                                              |
| Accounts Payable                       | \$ 90                                | \$ 5,122                             | \$ 5,212                                     |
| Accrued Interest Payable               | 222                                  | 290                                  | 512                                          |
| Due to Other Programs                  | -                                    | -                                    | -                                            |
| Notes Payable, Current Portion         | <u>5,418</u>                         | <u>7,130</u>                         | <u>12,548</u>                                |
| Total Current Liabilities              | <u>5,730</u>                         | <u>12,542</u>                        | <u>18,272</u>                                |
| <b>Noncurrent Liabilities:</b>         |                                      |                                      |                                              |
| Customer Deposits Payable              | -                                    | 10,770                               | 10,770                                       |
| Notes Payable, Less Current Maturities | <u>142,122</u>                       | <u>-</u>                             | <u>142,122</u>                               |
| Total Noncurrent Liabilities           | <u>142,122</u>                       | <u>10,770</u>                        | <u>152,892</u>                               |
| Total Liabilities                      | <u>147,852</u>                       | <u>23,312</u>                        | <u>171,164</u>                               |
| <b>NET POSITION</b>                    |                                      |                                      |                                              |
| Invested in Capital Assets, Net of     |                                      |                                      |                                              |
| Related Debt                           | 402,918                              | 124,212                              | 527,130                                      |
| Restricted                             | 3,310                                | 6,193                                | 9,503                                        |
| Unrestricted                           | <u>4,615</u>                         | <u>142</u>                           | <u>4,757</u>                                 |
| Total Net Position                     | <u>410,843</u>                       | <u>130,547</u>                       | <u>541,390</u>                               |
| Total Liabilities and Net Position     | <u><u>\$ 558,695</u></u>             | <u><u>\$ 153,859</u></u>             | <u><u>\$ 712,554</u></u>                     |

See accompanying notes to the basic financial statements.

**Exhibit F**

**TOWN OF BLUEJACKET, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET POSITION - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

|                                             | <b>Public Works</b><br><b><u>Sewer</u></b> | <b>Public Works</b><br><b><u>Water</u></b> | <b>Total</b><br><b>Enterprise</b><br><b><u>Funds</u></b> |
|---------------------------------------------|--------------------------------------------|--------------------------------------------|----------------------------------------------------------|
| <b>Operating Revenues:</b>                  |                                            |                                            |                                                          |
| Charges for services - Utilities            | \$ 31,205                                  | \$ 71,558                                  | \$ 102,763                                               |
| <b>Total Revenues</b>                       | <u>31,205</u>                              | <u>71,558</u>                              | <u>102,763</u>                                           |
| <b>Operating Expenses:</b>                  |                                            |                                            |                                                          |
| Salaries and Wages                          | 2,800                                      | 13,942                                     | 16,742                                                   |
| Trash Service                               | -                                          | 15,207                                     | 15,207                                                   |
| Repairs and Maintenance                     | -                                          | 6,998                                      | 6,998                                                    |
| Materials and Supplies                      | 4,723                                      | 8,454                                      | 13,177                                                   |
| Testing and Fees                            | 1,045                                      | 1,282                                      | 2,327                                                    |
| Other Services and Charges                  | 2,093                                      | 7,864                                      | 9,957                                                    |
| Insurance                                   | 1,200                                      | 1,721                                      | 2,921                                                    |
| Utilities                                   | 2,386                                      | 8,385                                      | 10,771                                                   |
| Depreciation                                | <u>23,885</u>                              | <u>6,399</u>                               | <u>30,284</u>                                            |
| <b>Total Expenditures</b>                   | <u>38,132</u>                              | <u>70,252</u>                              | <u>108,384</u>                                           |
| <b>Net Operating Income</b>                 | <u>(6,927)</u>                             | <u>1,306</u>                               | <u>(5,621)</u>                                           |
| <b>Non-operating Revenue(Expense)</b>       |                                            |                                            |                                                          |
| Investment Income                           | 10                                         | 17                                         | 27                                                       |
| Interest Expense                            | <u>(7,510)</u>                             | <u>(295)</u>                               | <u>(7,805)</u>                                           |
| <b>Total Non-operating Revenue(Expense)</b> | <u>(7,500)</u>                             | <u>(278)</u>                               | <u>(7,778)</u>                                           |
| <b>Increase (Decrease) in Net Assets</b>    | (14,427)                                   | 1,028                                      | (13,399)                                                 |
| <b>Net Position, Beginning</b>              | <u>425,270</u>                             | <u>129,519</u>                             | <u>554,789</u>                                           |
| <b>Net Position, Ending</b>                 | <u>\$ 410,843</u>                          | <u>\$ 130,547</u>                          | <u>\$ 541,390</u>                                        |

See accompanying notes to the basic financial statements.



**TOWN OF BLUEJACKET, OKLAHOMA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

|                                                                         | <b>Public Works<br/><u>Sewer</u></b> | <b>Public Works<br/><u>Water</u></b> | <b>Total<br/>Enterprise<br/><u>Funds</u></b> |
|-------------------------------------------------------------------------|--------------------------------------|--------------------------------------|----------------------------------------------|
| <b>Cash Flows from Operating Activities:</b>                            |                                      |                                      |                                              |
| Receipts from Customers                                                 | \$ 31,103                            | \$ 70,900                            | 102,003                                      |
| Receipt of Other Income                                                 | -                                    | 725                                  | 725                                          |
| Payments to Employees                                                   | (2,892)                              | (13,942)                             | (16,834)                                     |
| Payments to Suppliers and Vendors                                       | <u>(12,212)</u>                      | <u>(47,715)</u>                      | <u>(59,927)</u>                              |
| Net Cash Provided (Used) by Operating Activities                        | <u>15,999</u>                        | <u>9,968</u>                         | <u>25,967</u>                                |
| <b>Cash Flows from Capital and Related Financing Activities:</b>        |                                      |                                      |                                              |
| Principal Paid on Long-term Debt                                        | (5,155)                              | (8,779)                              | (13,934)                                     |
| Interest Paid on Long-term Debt                                         | <u>(7,517)</u>                       | <u>(712)</u>                         | <u>(8,229)</u>                               |
| Net Cash Provided (Used) by Capital and Related<br>Financing Activities | <u>(12,672)</u>                      | <u>(9,491)</u>                       | <u>(22,163)</u>                              |
| <b>Cash Flows from Investing Activities:</b>                            |                                      |                                      |                                              |
| Receipts of Interest Income                                             | <u>10</u>                            | <u>17</u>                            | <u>27</u>                                    |
| Net Cash Provided (Used) from Investing Activities                      | <u>10</u>                            | <u>17</u>                            | <u>27</u>                                    |
| Net Increase (Decrease) in Cash and Cash Equivalents                    | 3,337                                | 494                                  | 3,831                                        |
| Cash and Cash Equivalents, Beginning                                    | <u>2,260</u>                         | <u>13,806</u>                        | <u>16,066</u>                                |
| Cash and Cash Equivalents, Ending                                       | <u>\$ 5,597</u>                      | <u>\$ 14,300</u>                     | <u>\$ 19,897</u>                             |

See accompanying notes to the basic financial statements.

**TOWN OF BLUEJACKET, OKLAHOMA  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

|                                                                                                          | <b>Public Works<br/><u>Sewer</u></b> | <b>Public Works<br/><u>Water</u></b> | <b>Total<br/>Enterprise<br/><u>Funds</u></b> |
|----------------------------------------------------------------------------------------------------------|--------------------------------------|--------------------------------------|----------------------------------------------|
| <b>Reconciliation of Operating Income to Net Cash<br/>Provided (Used) by Operating Activities:</b>       |                                      |                                      |                                              |
| Operating Income (Loss)                                                                                  | \$ (6,927)                           | 1,306                                | \$ (5,621)                                   |
| Adjustments to reconcile Operating Income (Loss) to Net<br>Cash Provided (Used) by Operating Activities: |                                      |                                      |                                              |
| Depreciation                                                                                             | 23,885                               | 6,399                                | 30,284                                       |
| Change in Assets and Liabilities:                                                                        |                                      |                                      |                                              |
| Accounts Receivable                                                                                      | (102)                                | (658)                                | (760)                                        |
| Accounts Payable                                                                                         | <u>(857)</u>                         | <u>2,921</u>                         | <u>2,064</u>                                 |
| Total Adjustments                                                                                        | <u>22,926</u>                        | <u>8,662</u>                         | <u>31,588</u>                                |
| Net Cash Provided (Used) by Operating Activities                                                         | <u>\$ 15,999</u>                     | <u>\$ 9,968</u>                      | <u>\$ 25,967</u>                             |

See accompanying notes to the basic financial statements.

**TOWN OF BLUEJACKET, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of the Town of Bluejacket (the Town) relating to the fund types included in the financial statements conform to generally accepted accounting principles prescribed by the Governmental Accounting Standards Board. The following represent the more significant accounting and reporting policies and practices of the Town.

***Reporting Entity***

The Town of Bluejacket, for financial reporting purposes, includes all funds and authorities over which the Town council exercises oversight responsibility. Oversight responses defined by NCGA, Statement 3, was determined on the basis of the Town's ability to significantly influence operations, select the governing authority, and participate in fiscal management and scope of public service. On this basis, the reporting entity of the Town of Bluejacket includes all its funds as well as the accounts of the blended component unit; the Bluejacket Public Works Authority (the Authority).

The Bluejacket Public Works Authority is a public trust created under the authority of and pursuant to the provisions of Title 60, Oklahoma Statutes 1961, and Sections 176 to 180, for the use and benefit of the Town of Bluejacket. The trust has as its purpose to budget, construct, plan, establish, install, enlarge, improve, equip, operate, control and regulate facilities, whether water, sewer, gas, electric or other forms or types of public and municipal services within and without the corporate boundaries of the Town of Bluejacket. The Town council members of the Town of Bluejacket act as trustees of the Authority.

***Basis of Presentation***

***Management's Discussion and Analysis:***

GASB 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the Town's financial activities in the form of management's discussion and analysis (MD&A).

***Government-wide Financial Statements:***

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for the fiduciary funds of which the Town has none. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

***Fund Financial Statements:***

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. The funds of the financial reporting entity are described below:

**TOWN OF BLUEJACKET, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued***Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. The funds of the financial reporting entity are described below:

*Governmental Funds:*

General Fund - The general fund is the primary operating fund of the Town and always classified as a major fund. This fund accounts for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Fund - These funds are used to account for the revenues derived from specific taxes, governmental grants, or other revenue sources which are designated to finance particular functions or activities of the Town. The Town's special revenue funds consist of the following funds: Street & Alley, Fire and Cemetery funds.

*Proprietary Fund Types:*

Enterprise Fund - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Town's Enterprise fund consists of the following funds: Bluejacket Public Works Authority.

***Measurement Focus and Basis of Accounting***

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The government-wide financial statements and proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. Capital assets and long-term debt are not reported in governmental fund financial statements because they do not involve current financial resources.

**TOWN OF BLUEJACKET, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the accounting period. Actual results could differ from those estimates.

***Budget Process***

Annually a legally adopted budget is prepared for the General Fund and other governmental funds and an operating budget forecast is prepared for the Public Works Authority Funds. The budgets are formally approved by the Board of Trustees before filing with the State of Oklahoma. Actual expenditures within the General Fund may not legally exceed the adopted budget appropriations at the object category level within the department of a fund.

***Assets, Liabilities, and Equity***

***Cash and Cash Equivalents:***

For the purpose of the Statement of Net Position, and the proprietary funds Statement of Cash Flows, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit with an original maturity of three months or less.

***Investments:***

Investments consist of long-term certificates of deposits and are stated at cost, which approximates market unless otherwise indicated with a maturity at the time of purchase of more than three months.

***Receivables:***

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivables.

***Restricted Assets:***

Under the terms of the loan agreements, the Bluejacket Public Works Authority must maintain certain "funds". These are not funds in the sense of fiscal and accounting entities with self-balancing sets of accounts; they merely represent mandatory asset segregation. The primary restricted assets are related to loan reserves and utility meter deposits.

***Capital Assets:***

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

**TOWN OF BLUEJACKET, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Government-wide Statements

All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. It is the policy of the Town to capitalize all assets with a cost of \$1,000 or greater.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follow:

|                         |               |
|-------------------------|---------------|
| Buildings               | 30 - 40 years |
| Improvements            | 15 - 20 years |
| Machinery and Equipment | 3 - 20 years  |
| Infrastructure          | 15 - 40 years |

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

*Long-term Debt:*

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. All long-term debt to be repaid from governmental and business type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable.

*Equity Classifications:*

Government-wide Statements

Equity is classified as net position and displayed in the following components:

- A. Invested in Capital Assets, Net of Related Debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- B. Restricted - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributions, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation.
- C. Unrestricted - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**TOWN OF BLUEJACKET, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Fund Statements

Governmental fund equity is classified as fund balance. Fund Balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

Revenues, Expenditures, and Expenses

*Sales Tax:*

The Town is currently receiving sales tax on each dollar. This is deposited into the general fund for the purpose of paying the operation and maintenance costs incurred by the Town.

*Operating Revenues and Expenses:*

Operating revenues and expenses for proprietary funds are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

*Expenditures/Expenses:*

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Government Funds - By Character  
                     Current  
                     Capital Outlay  
     Proprietary Fund - By Operating and Non-operating.

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

*Interfund Transfers*

Interfund receivables and payables arise from Interfund transactions and are recorded by all programs affected in the period in which the transactions are executed. These receivables and payables within the same fund type are eliminated for presentation of the financial statements in the government-wide statements. Net receivables and payables between governmental activities and business-type activities are reported as internal balances and internal transfers.

**TOWN OF BLUEJACKET, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 2 - CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND INVESTMENTS**

The Town of Bluejacket is governed by the deposit and investment limitations of state law. The deposits and investments held at June 30, 2013, and reported at fair value are as follow:

| <u><b>TYPE</b></u>                                      | <u><b>Carrying<br/>Value</b></u> |
|---------------------------------------------------------|----------------------------------|
| <b>Deposits:</b>                                        |                                  |
| Demand Deposits                                         | \$ 53,133                        |
| <b>Investments:</b>                                     |                                  |
| Certificates of Deposit                                 | <u>11,413</u>                    |
| <b>Total Deposits and Investments</b>                   | <u><u>\$ 64,546</u></u>          |
| <b>Reconciliation to Statement of Net Position:</b>     |                                  |
| Cash and Cash Equivalents                               | \$ 36,395                        |
| Investments                                             | 11,413                           |
| Restricted Cash and Cash Equivalents, Customer Deposits | 7,235                            |
| Restricted Investments, Debt Reserve                    | <u>9,503</u>                     |
|                                                         | <u><u>\$ 64,546</u></u>          |

*Custodial Credit Risk* - State law governs the requirements for managing custodial credit risk. Such law requires uninsured deposits to be secured with collateral having market value at least equal to the amount of uninsured deposits. Deposits in financial institutions, reported as components of cash, cash equivalents, and investments, had a bank balance of \$70,373 at June 30, 2013, which was fully insured by depository insurance or secured with collateral held by the Town's agent in its name. All investments, evidenced by individual securities, are registered in the name of the Town or one of its component units.

*Investment Interest Rate Risk* - The Town has no formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at June 30, 2013 are provided in the schedule above. Nonnegotiable certificates of deposit are not subject to interest rate risk, therefore their maturity dates are not provided.

*Investment Credit Risk* - The Town as no investment policy which limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of Deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trust whose beneficiary is a county, municipality or school district.



**TOWN OF BLUEJACKET, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 2 - CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND INVESTMENTS,**  
**Continued**

- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c., and d.

*Concentration of Investment Credit Risk* - The Town places no limit on the amount it may invest in any one issuer. At June 30, 2013, the Town had limited concentration of credit risk.

**NOTE 3 - ACCOUNTS RECEIVABLE**

Accounts receivable in the enterprise fund represent utility billings at June 30, 2013. As of this date, no allowance is considered necessary. In the governmental funds, accounts receivable represents receivables for taxes.

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013 is as follows:

|                                  | <b>Balance</b>          |                         |                         | <b>Balance</b>          |
|----------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| <i>Governmental Activities:</i>  | <b><u>6/30/2012</u></b> | <b><u>Additions</u></b> | <b><u>Deletions</u></b> | <b><u>6/30/2013</u></b> |
| Buildings                        | \$ -                    | \$ -                    | \$ -                    | \$ -                    |
| Machinery and Equipment          | <u>54,645</u>           | <u>-</u>                | <u>-</u>                | <u>54,645</u>           |
|                                  | <u>54,645</u>           | <u>-</u>                | <u>-</u>                | <u>54,645</u>           |
| Less: Accumulated Depreciation   |                         |                         |                         |                         |
| Machinery and Equipment          | <u>30,138</u>           | <u>7,806</u>            | <u>-</u>                | <u>37,944</u>           |
| Total Accumulated Depreciation   | <u>30,138</u>           | <u>7,806</u>            | <u>-</u>                | <u>37,944</u>           |
|                                  | <u>24,507</u>           | <u>(7,806)</u>          | <u>-</u>                | <u>16,701</u>           |
| <i>Business-type Activities:</i> |                         |                         |                         |                         |
| Depreciable Assets:              |                         |                         |                         |                         |
| Machinery and Equipment          | 11,144                  | -                       | -                       | 11,144                  |
| Buildings                        | 58,940                  | -                       | -                       | 58,940                  |
| Water System                     | 292,613                 | -                       | -                       | 292,613                 |
| Sewer System                     | <u>1,038,148</u>        | <u>-</u>                | <u>-</u>                | <u>1,038,148</u>        |
|                                  | <u>1,400,845</u>        | <u>-</u>                | <u>-</u>                | <u>1,400,845</u>        |
|                                  | <u>1,400,845</u>        | <u>-</u>                | <u>-</u>                | <u>1,400,845</u>        |
| Less: Accumulated Depreciation   |                         |                         |                         |                         |
| Buildings                        | 23,190                  | 1,473                   | -                       | 24,663                  |
| Water and Sewer System           | 654,428                 | 28,811                  | -                       | 683,239                 |
| Machinery and Equipment          | <u>11,143</u>           | <u>-</u>                | <u>-</u>                | <u>11,143</u>           |
| Total Accumulated Depreciation   | <u>688,761</u>          | <u>30,284</u>           | <u>-</u>                | <u>719,045</u>          |
|                                  | <u>712,084</u>          | <u>(30,284)</u>         | <u>-</u>                | <u>681,800</u>          |
|                                  | <u>\$ 736,591</u>       | <u>\$ (38,090)</u>      | <u>\$ -</u>             | <u>\$ 698,501</u>       |

**TOWN OF BLUEJACKET, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 5 - LONG-TERM DEBT**

Long-term debt consists of the following debts owed by the Bluejacket Public Works Authority. A summary of long-term debt follows:

**Rural Development:**

Note payable to Rural Development at 5% interest rate, payable in monthly installments of \$1,056, including interest until March 19, 2031 with a balance due of \$147,540.

**GMAC Commercial Mortgage:**

Loan balance to GMAC at 5% interest rate, payable in annual installments of \$9,491 until January 1, 2014 with a balance due of \$7,130.

|                                         | <u>6/30/2012</u>  | <u>Increases</u> | <u>Decreases</u> | <u>6/30/2013</u>  | <u>One Year</u>  |
|-----------------------------------------|-------------------|------------------|------------------|-------------------|------------------|
| <b><i>Business-type Activities:</i></b> |                   |                  |                  |                   |                  |
| Rural Development Notes                 | \$ 152,694        | \$ -             | \$ 5,154         | \$ 147,540        | \$ 5,418         |
| GMAC                                    | <u>15,910</u>     | <u>-</u>         | <u>8,780</u>     | <u>7,130</u>      | <u>7,130</u>     |
|                                         | <u>\$ 168,604</u> | <u>\$ -</u>      | <u>\$ 13,934</u> | <u>\$ 154,670</u> | <u>\$ 12,548</u> |

Maturities of long-term debt are as follow:

| <u>Year Ending June 30,</u> | <u>Principal</u><br><u>Payments</u> | <u>Interest</u><br><u>Payments</u> | <u>Total</u>      |
|-----------------------------|-------------------------------------|------------------------------------|-------------------|
| 2014                        | 12,548                              | 7,624                              | 20,172            |
| 2015                        | 5,695                               | 6,977                              | 12,672            |
| 2016                        | 5,987                               | 6,685                              | 12,672            |
| 2017                        | 6,293                               | 6,379                              | 12,672            |
| 2018                        | 6,615                               | 6,057                              | 12,672            |
| 2019 to 2023                | 38,512                              | 24,848                             | 63,360            |
| 2024 to 2028                | 49,425                              | 13,935                             | 63,360            |
| 2029 to 2031                | <u>29,595</u>                       | <u>1,940</u>                       | <u>31,535</u>     |
|                             | <u>\$ 154,670</u>                   | <u>\$ 74,445</u>                   | <u>\$ 229,115</u> |

**NOTE 6 - LITIGATION**

Neither the Town nor the Authority has any pending claims or lawsuits against them as of June 30, 2013, the outcome of which would result in a material liability or damage claim.

**TOWN OF BLUEJACKET, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 7 – CONTINGENCIES**

The entity is subject to possible examinations by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refunds by the entity to the federal grantors and/or program beneficiaries.

**NOTE 8 - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions injuries to employees; and natural disasters for which the Town purchases commercial insurance.

Management believes this coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded coverage in any of the past three fiscal years.

**TOWN OF BLUEJACKET, OKLAHOMA  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013**

| <b>GENERAL FUND</b>                   | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b>     | <b>Variance<br/>Positive<br/>(Negative)</b> |
|---------------------------------------|----------------------------|-------------------------|-------------------|---------------------------------------------|
| <b>Revenues:</b>                      |                            |                         |                   |                                             |
| Taxes                                 | \$ 30,000                  | \$ 30,000               | \$ 25,129         | \$ (4,871)                                  |
| Traffic Fines                         | 15,000                     | 15,000                  | 27,075            | 12,075                                      |
| Grant Income                          | 2,500                      | 2,500                   | 36,465            | 33,965                                      |
| Miscellaneous                         | 2,500                      | 2,500                   | 25                | (2,475)                                     |
| Interest                              | <u>25</u>                  | <u>25</u>               | <u>9</u>          | <u>(16)</u>                                 |
| <b>Total Revenues</b>                 | <u>50,025</u>              | <u>50,025</u>           | <u>88,703</u>     | <u>38,678</u>                               |
| <b>Expenditures:</b>                  |                            |                         |                   |                                             |
| <b>General Government</b>             |                            |                         |                   |                                             |
| Personal Services                     | 14,000                     | 14,000                  | 14,145            | (145)                                       |
| Maintenance and Operations            | 14,525                     | 14,525                  | 18,650            | (4,125)                                     |
| Operating Grant Expenditures          | 500                        | 500                     | 41,690            | (41,190)                                    |
| <b>Emergency Maintenance</b>          |                            |                         |                   |                                             |
| Maintenance and Operations            | 500                        | 500                     | 617               | (117)                                       |
| <b>Park</b>                           |                            |                         |                   |                                             |
| Maintenance and Operations            | 5,000                      | 5,000                   | 5,182             | (182)                                       |
| <b>Street and Alley</b>               |                            |                         |                   |                                             |
| Maintenance and Operations            | -                          | -                       | 105               | (105)                                       |
| <b>Public Safety</b>                  |                            |                         |                   |                                             |
| Traffic Fine Expense                  | 15,000                     | 15,000                  | 15,338            | (338)                                       |
| <b>Capital Outlay</b>                 | <u>500</u>                 | <u>500</u>              | <u>-</u>          | <u>500</u>                                  |
| <b>Total Expenditures</b>             | <u>50,025</u>              | <u>50,025</u>           | <u>95,727</u>     | <u>(45,702)</u>                             |
| <b>Net Change in Fund Balance</b>     | <u>\$ -</u>                | <u>\$ -</u>             | <u>\$ (7,024)</u> | <u>\$ (7,024)</u>                           |
| <b>STREET AND ALLEY</b>               | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b>     | <b>Variance<br/>Positive<br/>(Negative)</b> |
| <b>Revenues:</b>                      |                            |                         |                   |                                             |
| Taxes                                 | <u>\$ 2,000</u>            | <u>\$ 2,000</u>         | <u>\$ 3,058</u>   | <u>\$ 1,058</u>                             |
| <b>Total Revenues</b>                 | <u>2,000</u>               | <u>2,000</u>            | <u>3,058</u>      | <u>1,058</u>                                |
| <b>Expenditures:</b>                  |                            |                         |                   |                                             |
| Maintenance and Operations            | <u>2,000</u>               | <u>2,000</u>            | <u>1,613</u>      | <u>387</u>                                  |
| <b>Total Expenditures</b>             | <u>2,000</u>               | <u>2,000</u>            | <u>1,613</u>      | <u>387</u>                                  |
| <b>Net Change in Fund<br/>Balance</b> | <u>\$ -</u>                | <u>\$ -</u>             | <u>\$ 1,445</u>   | <u>\$ 1,445</u>                             |

**TOWN OF BLUEJACKET, OKLAHOMA  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013**

| <b>FIRE DEPARTMENT</b>                | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b>     | <b>Variance<br/>Positive<br/>(Negative)</b> |
|---------------------------------------|----------------------------|-------------------------|-------------------|---------------------------------------------|
| <b>Revenues:</b>                      |                            |                         |                   |                                             |
| Dues                                  | \$ 10,000                  | \$ 10,000               | \$ 10,477         | \$ 477                                      |
| Operating Grants                      | 7,500                      | 7,500                   | 8,067             | 567                                         |
| Interest                              | 300                        | 300                     | 56                | (244)                                       |
| Miscellaneous                         | <u>5,000</u>               | <u>5,000</u>            | <u>15</u>         | <u>(4,985)</u>                              |
| <b>Total Revenues</b>                 | <u>22,800</u>              | <u>22,800</u>           | <u>18,615</u>     | <u>(4,185)</u>                              |
| <b>Expenditures:</b>                  |                            |                         |                   |                                             |
| Personal Service                      | 1,500                      | 1,500                   | 1,300             | 200                                         |
| Maintenance and Operations            | 17,000                     | 17,000                  | 16,543            | 457                                         |
| Miscellaneous                         | 200                        | 200                     | -                 | 200                                         |
| Operating Grant Expenditures          | <u>4,100</u>               | <u>4,100</u>            | <u>8,067</u>      | <u>(3,967)</u>                              |
| <b>Total Expenditures</b>             | <u>22,800</u>              | <u>22,800</u>           | <u>25,910</u>     | <u>(3,110)</u>                              |
| <b>Net Change in Fund<br/>Balance</b> | <u>\$ -</u>                | <u>\$ -</u>             | <u>\$ (7,295)</u> | <u>\$ (7,295)</u>                           |
| <b>CEMETERY</b>                       | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b>     | <b>Variance<br/>Positive<br/>(Negative)</b> |
| <b>Revenues:</b>                      |                            |                         |                   |                                             |
| Donations                             | \$ 2,900                   | \$ 2,900                | \$ 3,454          | \$ 554                                      |
| Interest                              | 10                         | 10                      | 3                 | (7)                                         |
| Miscellaneous                         | <u>1,000</u>               | <u>1,000</u>            | <u>400</u>        | <u>(600)</u>                                |
| <b>Total Revenues</b>                 | <u>3,910</u>               | <u>3,910</u>            | <u>3,857</u>      | <u>(53)</u>                                 |
| <b>Expenditures:</b>                  |                            |                         |                   |                                             |
| Maintenance and Operations            | 3,400                      | 3,400                   | 2,907             | 493                                         |
| Miscellaneous                         | <u>510</u>                 | <u>510</u>              | <u>1,300</u>      | <u>(790)</u>                                |
| <b>Total Expenditures</b>             | <u>3,910</u>               | <u>3,910</u>            | <u>4,207</u>      | <u>(297)</u>                                |
| <b>Net Change in Fund<br/>Balance</b> | <u>\$ -</u>                | <u>\$ -</u>             | <u>\$ (350)</u>   | <u>\$ (350)</u>                             |

CYNTHIA L WARREN CPA, P.C.

=====

P.O. Box 189  
Eufaula, OK 74432

(918) 452-2116  
Fax (918) 452-3509

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
Town of Bluejacket  
Bluejacket, Oklahoma

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Town of Bluejacket, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued my report thereon dated April 20, 2014.

**Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Town of Bluejacket's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weakness. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, as described in the accompanying schedule of findings and questioned costs as Finding #2013-01 that I consider to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Town of Bluejacket's Response to Findings**

The Town of Bluejacket's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. The Town of Bluejacket's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cynthia L Warren CPA, P.C.  
Eufaula, Oklahoma  
April 10, 2014

**TOWN OF BLUEJACKET, OKLAHOMA  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2013**

**#2013-01      *Lack of Segregation of Duties***

**Criteria:** The Town should have a sufficient and properly designed internal control structure. This structure relies greatly on a proper segregation of duties between individuals. In the perfect situation, duties relating to initiating, authorizing, recording, processing and reporting financial data would be segregated to provide a less than remote likelihood that a misstatement of the authority's financial statements which is more than inconsequential would be prevented or detected.

**Condition:** The Town has one administrative employee and as a result does not have the personnel to assign duties and responsibilities in such a way which would segregate duties as mentioned above. The limited number of employees results in an inadequate overall internal control structure design. This employee does not have the qualifications for review of the audited financial statements to ensure accuracy. Specific areas affected are described below:

*Cash and Cash transactions* - Only one individual, the Town Clerk, controls the initiating, recording, processing and reporting of cash transactions.

*Revenues and Receivables* - The Town Clerk has sole control over the processing of revenues and receivables.

*Expenditures/Expenses and Accounts Payable* - The Town Clerk controls the recording, processing and reporting of expenditures/expenses.

**Cause:** Due to cost restrictions, the Town has limited staff. Resources are not currently available for additional employees for the appropriate segregation of duties.

**Effect:** The lack of segregation of duties related to controls as stated above are significant deficiencies that could result in the likelihood that a material misstatement of the financial statements may occur and not be prevented or detected.

**Recommendation:** As the Town has limited resources available, at the current time, additional segregation of duties is not financially feasible. The Town should review its procedures and controls to determine additional controls which can be implemented in order to achieve the control objectives related to segregation of duties. The cost effectiveness of these actions should be considered in the implementation of additional controls.

***Response from Management:***

The management of the Town has reviewed and discussed the Town's responsibilities over internal controls. As a result of this review, management has considered the cost effectiveness of additional segregation of duties for compliance of the application of generally accepted accounting principles. Due to the limitations of resources available at the current time, it has been determined that it is not feasible to increase the segregation of duties.

**Contact Person:**            ***Mayor, Town of Bluejacket***